

What should the agriculture agenda be in B20 under South Africa's leadership?

- When South Africa assumes the leadership of the Group of 20 (G20) on December 1 2024, the country will be in a prime position to chair the Business Forum, the B20. The G20 comprises 19 countries (Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Korea, Mexico, Saudi Arabia, South Africa, Russia, Türkiye, the UK, and the USA) and two bodies: the African Union and the European Union. South Africa's agenda is under the theme of "Solidarity, Equality, and Sustainability."
- The B20 brings together business representatives from the G20 countries and sets out workstreams that take their cue from the theme defined by the government, although its actual work is autonomous. The process for formulating the priorities of the business community should soon be underway. Going to the G20, the South African agricultural sector, as a critical stakeholder in the B20, will need to outline bold goals.
- First, there should be a strong call for knowledge sharing on climate-smart agricultural practices. This theme is relevant not only for the G20 countries but also for the African continent. There is much more to learn from the experiences of Australia, Canada, the EU, and others. South Africa must open an avenue for this discussion. The insights must be canvassed with the broader African continent to help improve the continent's agricultural resilience under the current challenging climatic environment.
- Second, South Africa should pursue deepening agricultural trade. As a country, we already enjoy deeper access to several G20 economies. Still, prioritizing the theme of trade integration and ensuring that the current policies of relatively open borders on agricultural trade are maintained is vital. This point is essential in a current climate where trade fragmentation and "friend-shoring" seem to be a practice of the day. South Africa's agricultural sector is export-oriented. Therefore, it is in businesses' interest to ensure that the current practices are maintained and that there is even a deeper appreciation of trade by other partners. The African continent, whose agricultural sector still faces productivity challenges, may not benefit as much as South Africa from this theme in the near term. However, in the long run, the benefits will be widely shared.
- Third, South Africa should continue prioritizing discussions about deepening the fertilizer trade in Africa. The sub-Saharan African continent (excluding South Africa) has poor agricultural productivity due to multiple factors. One challenge is poor fertilizer usage. Access to affordable finance is also a challenge. More fundamentally, a conducive infrastructure is needed to ensure the fertilizer reaches the farmers and their produce gets to market. Thus, linking the fertilizer matter with a need for investments in network industries is key. Still, if the political leaders want to raise a theme that would have a broader continental positive impact on reducing hunger, a discussion about fertilizer would be worthwhile. This

would also entail thinking about ways to raise funds to buy and distribute fertilizer to the most vulnerable regions of the African continent. Improvements in agriculture will help reduce hunger.

- We know from the literature that growth in agriculture is generally two to three times more effective at reducing poverty than an equivalent amount of growth generated outside agriculture. Moreover, the advantage of agriculture in reducing poverty is largest for the poorest individuals in society and extends to other welfare outcomes, including food insecurity and malnutrition.
- Lastly, South Africa must discuss sharing insights about agricultural technology and investment opportunities. This work stream would involve most mechanical and IT-related technologies, which are increasingly vital for agricultural productivity and the efficiency of the food value chains. While the G20 countries are advanced in this area of work, knowledge sharing would be beneficial, mainly for the broader African continent. Thus, South Africa has a strong enough reason to support this theme.
- The South African government should define a clear agenda that considers Brazil's outcomes and, at the same time, chart a new path. This work needs to start sooner. The first step must be for South African businesses to undertake detailed thinking and formulate priorities linked to the sectors of the economy. The next step is to engage the government in such priority areas. This will help ensure South Africa formulates an inclusive agenda for the B20, aligning well with the G20 priorities.

WEEKLY HIGHLIGHT

South Africa's consumer food price inflation is at its lowest level since May 2019

- Having stabilized at 4,1% in September 2024, South Africa's consumer food price inflation slowed notably to 2,8% in October. This is the lowest level since May 2019. The deceleration was broad-based, except for "sugar, sweets and desserts", which lifted somewhat. The slowdown was largely driven by base effects, as food price inflation was elevated this time last year. For example, this time last year, grain prices faced upward pressure following India's rice export ban, while an avian influenza outbreak constrained egg supplies, exacerbating price risks.
- We are far from that worrying reality, as India has resumed rice exports, and prices have slowed generally. Moreover, South Africa's poultry product supplies have normalized. Also worth noting is that the recovery in vegetable supplies across various fresh produce markets in the country also added to the softening of prices. We suspect that the generally lower wheat prices have also added to this moderation of prices.
- As we have previously signalled, while having eased notably in October 2024, grain-related products remain the upside risk to consumer inflation following a poor crop harvest due to the drought. For example, South Africa's 2023-24 maize harvest is estimated at 12,72 million tonnes, down 23% year-year. This sharp decline in harvest signifies the harsh impact of the 2024 mid-summer drought, and the regions most affected were the white maize growing areas, a staple crop that is also scarce in the world

market. Thus, white maize prices have rallied in recent months. The additional challenge is the continuous demand for white maize from the Southern African region through the first quarter of 2025. That said, we don't expect the potential grain-related product price increase to be substantial as the forecasts from the International Grains Council signal the possible ample global wheat and rice harvest in 2024-25, which could cushion the region as substitutes.

Exhibit I: South Africa's consumer food inflation



Source: Statistics South Africa and Agbiz Research

WEEK AHEAD

What we are watching this week

- As always, we start the week with a focus on the global front, and today, the United States Department of Agriculture (USDA) releases its weekly **US Crop Progress** report. The US's 2024-25 maize and soybean harvest process is virtually complete. We will now shift our attention to the winter wheat crop conditions. In the week of November 17, about 49% of the winter wheat crop was rated good or excellent, compared with 48% in the same week in 2023. Moreover, the USDA will release its **weekly US Grains and Oilseed Export Sales** data on Thursday.
- On the domestic front, the Crop Estimates Committee will publish its **final production forecast for South Africa's 2023-24 summer field crops** on Wednesday. We don't expect many adjustments to the current data. The 2023-24 summer grains and oilseeds production forecast is 15,39 million tonnes, down 23% from the previous season. The harsh mid-summer drought is the primary cause of the notable decline in the harvest. Moreover, the Committee will also release its

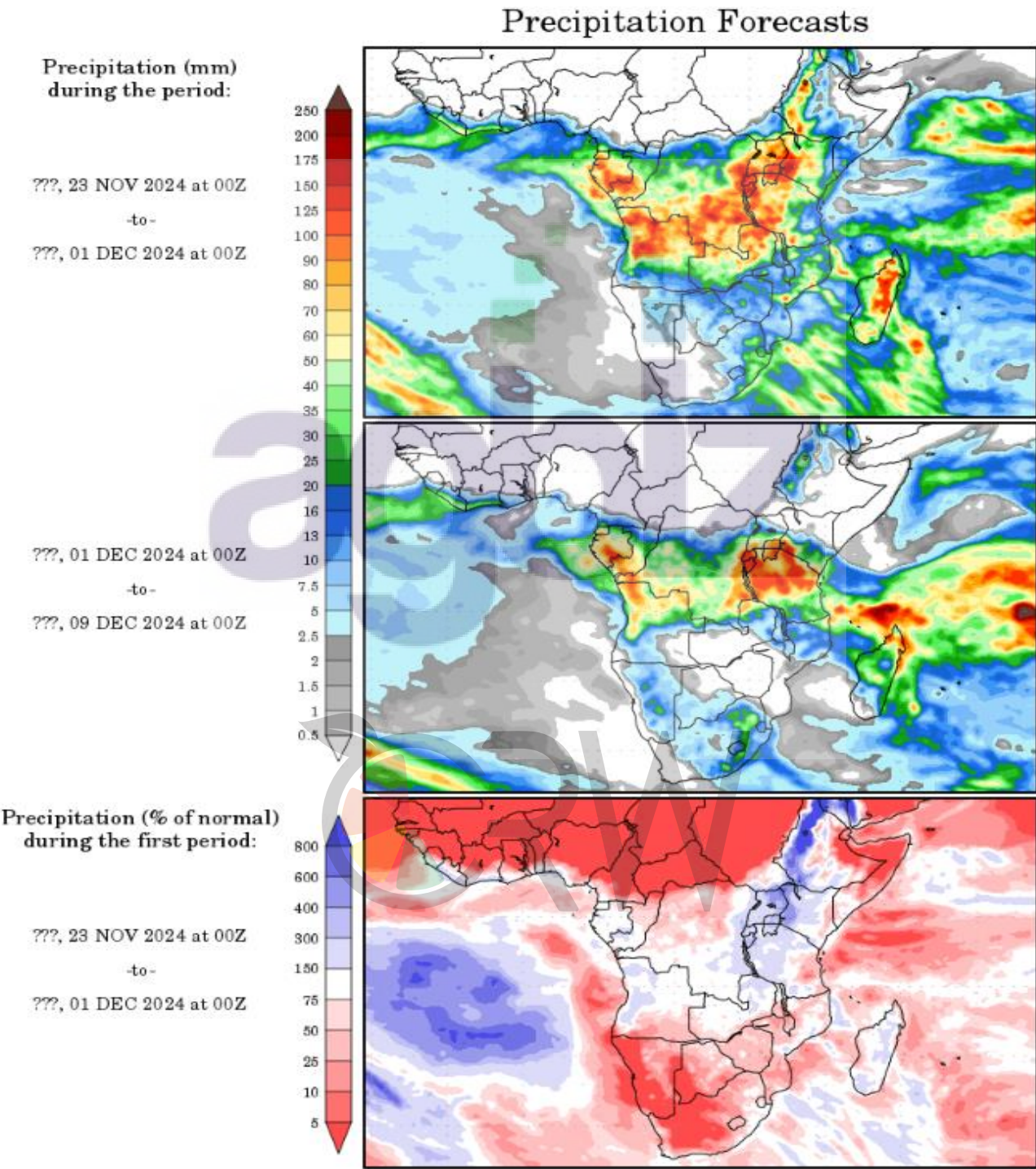
fourth production forecast for South Africa's winter cereals for 2024. South Africa's winter crop harvest is towards completion in some regions of the Western Cape, and the yields are broadly fair in some regions.

- Also, on Wednesday, SAGIS will release its **weekly South Africa's Grains and Oilseeds Producer Deliveries** data. In the case of maize, this week, we will receive a data release for the 30th week of the 2024-25 marketing year. In the previous release on November 15, South Africa's weekly maize producer deliveries were about 32k tonnes. This puts the 2024-25 maize producer deliveries at 10,39 million tonnes out of the expected harvest of 12,72 million tonnes. The 2024-25 soybean deliveries in the first 38 weeks of this new marketing year amounted to 1,76 million tonnes out of the expected harvest of 1,83 million tonnes. At the same time, the sunflower seed deliveries amounted to 628k tonnes out of the expected harvest of 636k tonnes.
- On Thursday, SAGIS will publish its **weekly South Africa's Grains and Oilseeds Trade** data for the 30th week of the 2024-25 marketing year. In the previous release on November 15, the 29th week of the 2024-25 marketing year, South Africa exported 44k tonnes of maize. Of this volume, 57% was exported to Zimbabwe, and the balance to the neighbouring African countries. This puts South Africa's total maize exports in the 2024-25 marketing year at 1,25 million tonnes out of the expected 1,90 million tonnes (down from 3,44 million tonnes in the 2023-24 marketing year because of the mid-summer drought).
- Moreover, while South Africa will likely remain the net exporter of maize in the 2024-25 marketing year, the coastal regions will import small volumes of yellow maize for animal feed because of price advantage. We have recently seen the imports of yellow maize from Argentina through Cape Town. South Africa's 2024-25 maize imports currently stand at 288k tonnes.
- South Africa is a net wheat importer, and the week of November 15 was the seventh week in the new 2024-25 marketing year. The imports so far amounted to 276k tonnes. The leading suppliers are Russia, Poland, Lithuania, Latvia and Canada. The seasonal import forecast is 1,80 million tonnes, down from 1,93 million tonnes the past season.
- Also, on Thursday, Statistics South Africa will release the **Producer Price Index (PPI)** data for October 2024

South Africa's Precipitation forecast

- South Africa may receive light rains across the summer crop-growing regions over the next two weeks. This comes after a few weeks of good showers in some regions of the country, which have helped improve soil moisture and enabled farmers to start their planting activity for summer grains and oilseeds.

Exhibit 2: South Africa's precipitation forecast



Source: George Mason University (wxmaps)